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KANSAS CITY SOUTHERN
Form 8-K
January 30, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
JANUARY 29, 2004

KANSAS CITY SOUTHERN
(Exact name of company as specified in its charter)

DELAWARE	1-4717	44-0663509
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission file) number	(IRS Employer Identification Number)

427 WEST 12TH STREET, KANSAS CITY, MISSOURI 64105

(Address of principal executive offices) (Zip Code)

COMPANY'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(816) 983 - 1303

NOT APPLICABLE
(Former name or former address if changed since last report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

EXHIBIT NO. (99)	DOCUMENT
99.1	Additional Exhibits Press Release issued by Kansas City Southern dated January 29, 2004 entitled, "Kansas City Southern Reports Year-to-Date

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and Fourth Quarter 2003
Earnings," is attached hereto as
Exhibit 99.1

99.2

The following schedules are
attached hereto as Exhibit 99.2
- Kansas City Southern Operating
Statements, Kansas City Southern
Railway Carloadings by
Commodity, Kansas City Southern
Consolidated Balance Sheets

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Kansas City Southern ("KCS" or "Company") is filing under Item 12 of this Current Report on Form 8-K the information included as Exhibit 99.1 and Exhibit 99.2 of this report. Exhibit 99.1 is the Company's press release, dated January 29, 2004, announcing KCS's fourth quarter and year to date 2003 earnings and operating results. Included in Exhibit 99.2 are schedules regarding certain financial information discussed at the Company's fourth quarter 2003 analyst presentation and conference call.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Kansas City Southern

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Date: January 30, 2004

By: /S/ RONALD G. RUSS

Ronald G. Russ
Executive Vice President and Chief Financial Officer

EXHIBIT 99.1

KANSAS CITY SOUTHERN
Cathedral Square - 427 West 12TH Street - P.O. Box 219335
Kansas City, Missouri 64121-9335

PRESS RELEASE
NYSE SYMBOL: KSU

Date: January 29, 2004

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KANSAS CITY SOUTHERN REPORTS YEAR-TO-DATE AND FOURTH QUARTER 2003 EARNINGS

EARNINGS ANALYSIS & COMMENTARY

Kansas City Southern (KCS or Company) (NYSE: KSU) reported net income of \$11.2 million (\$0.08 per diluted share) for the year ended December 31, 2003 compared to \$57.2 million (\$0.91 per diluted share) for the year ended December 31, 2002.

The Company's domestic business, excluding an adjustment in claims reserves of \$21.1 million, improved its operating income from \$48.0 million in 2002 to \$50.2 million in 2003. The Company experienced positive effects year over year from revenue growth, which increased \$15.1 million (2.7%) to \$581.3 million in 2003. Additionally, The Kansas City Southern Railway Company (KCSR) car hire costs declined (\$9.7 million) as did consolidated other operating expenses (\$5.5 million). These improvements were partially offset by higher KCSR fuel costs, which rose \$9.0 million in 2003 compared to 2002, and increases in certain other volume-related operating costs.

Based on preliminary results, equity in earnings from Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (Grupo TFM) were \$11.3 million in 2003 compared to \$45.8 million in 2002. This decline resulted primarily from a \$19.0 million reduction in the deferred tax benefit during 2003 compared to 2002 (calculated under U.S GAAP) and the devaluation of the peso, which resulted in an approximate \$34 million decline in Grupo TFM revenues year over year. In 2002, equity earnings from Grupo TFM included a \$39.2 million deferred tax benefit compared to \$20.2 million in 2003.

For the fourth quarter of 2003, KCS reported a net loss of \$6.2 million (loss per diluted share of \$0.12) compared to net income of \$20.4 million for the same 2002 period. The decrease in net income was primarily attributable to an increase in claims reserves of \$13.5 million (after tax). The increase in these reserves was necessary to better reflect the claims risk in the U.S. rail sector, which includes occupational illness, third party liability, Federal Employers Liability Act (FELA) and property damage. The earnings per share impact of this increase to claims reserves was \$0.22 per diluted share in the fourth quarter of 2003. Excluding this adjustment, net income for the fourth quarter 2003 would have been \$7.3 million (\$0.10 per diluted share) and operating income would have been 2.9% higher than the fourth quarter of 2002. This increase in ongoing operating income was driven by higher consolidated fourth quarter revenue, which rose to \$148.5 million, a 3% increase over fourth quarter 2002. Preliminary results from Grupo TFM yielded a \$13.1 million decline in equity earnings to \$5.1 million in fourth quarter 2003 compared to \$18.2 million in fourth quarter 2002.

EARNINGS (LOSS) PER SHARE INFORMATION1:

	FOURTH QUARTER		YTD THROUGH 12/31	
	2003	2002	2003	2002
U.S. Operations	\$ (0.13)	\$ 0.10	\$ 0.03	\$ 0.45
Grupo TFM and PCRC (including allocated interest), PRELIMINARY	0.01	0.22	(0.09)	0.46
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(0.12)	0.32	(0.06)	0.91
Cumulative effect of accounting change, net				

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of income taxes				0.14
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ (0.12)	\$ 0.32	\$ 0.08	\$ 0.91

YEAR-TO-DATE HIGHLIGHTS

KCSR revenues for the year ended December 31, 2003 increased by 2.8% to \$575.3 million compared to \$559.6 million in 2002. Revenue increases in the agriculture and minerals (\$11.3 million), and paper and forest products (\$11.3 million) commodity groups reflected a strong resurgence in carload traffic that took place in the second half of 2003 on KCSR. Traffic volume for all of 2003 increased approximately 2% year over year. Excluding unit train coal traffic, traffic volume increased approximately 5%. Coal revenues declined by \$8.5 million from 2002, which had been a record tonnage year for KCSR. Chemical and petroleum product revenues were down \$6.9 million compared to the prior year with continued weakness in its plastics business due to the higher costs of natural gas throughout 2003.

Operationally, KCSR realized lower car hire costs and other expenses, which were driven by KCSR's new information technology platform, MCS, installed in 2002. These cost reductions helped to offset volume-related increases for certain other 2003 operating costs. For instance, even though KCS realized a \$15.1 million increase in revenues during 2003, employee compensation and related costs were approximately the same as 2002 with an average staffing level of 2,612 compared to 2,649 in 2002. Fuel costs for 2003 rose due to a \$0.17 increase in the average price per gallon over the prior year. Casualties and insurance costs for 2003 increased by \$31.2 million related to the increase in claims reserves discussed above, as well as the impact of favorable insurance settlements in 2002.

As part of the same comprehensive review leading to the increase in the reserves for claims, KCSR retained the services of an international consulting engineering firm to undertake a depreciation study of the Company's property, plant and equipment. While there can be no assurance that the results will be

 1 The components of the diluted earnings per share information include measurements that are not presented under accounting principles generally accepted in the United States of America ("U.S. GAAP"). This presentation includes an internal allocation of interest expense from U.S. operations to Grupo TFM. Management believes this interest expense allocation results in a more accurate reflection of the diluted earnings per share relating to the contribution of Grupo TFM to the consolidated net income of KCS. The interest expense allocation is based upon the initial amount of capital invested by KCS in Grupo TFM and is calculated utilizing a blended interest rate applicable to the Company's indebtedness composition. This measurement is presented to provide the reader of these financial statements with a better understanding of the impact of financing costs on the earnings per share related to KCS's investment in Grupo TFM. The nearest GAAP measurement is net income, which is included in the consolidated statements of income included in this press release.

attained, the study, which will soon be filed with the U.S. Surface Transportation Board and will require its approval, finds that, beginning in 2004, depreciation expense on KCSR can be reduced by \$10 million to \$12 million per annum.

Grupo TFM overall freight volumes in 2003 increased 3.3% over 2002. Revenues

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declined 1.9% primarily due to the impact of the devaluation of the Mexican peso against the U.S. dollar. In 2003, 59.7% of Grupo TFM's revenues were U.S. dollar denominated, and the Mexican peso suffered an approximate 12% devaluation against the U.S. dollar.

Consolidated other income declined \$10.8 million year over year due to lower sales of non-operating assets in 2003.

Also contributing to KCS net income during 2003 was a one-time \$8.9 million benefit (net of tax) recorded in the first quarter of 2003 relating to the cumulative effect of a required change in accounting for removal costs of certain track structure assets. In addition, in 2002, the Company recorded a charge of \$4.3 million related to debt retirement and a \$4.4 million gain on the sale of its ownership interest in Mexrail to Grupo TFM.

FOURTH QUARTER HIGHLIGHTS

Fourth quarter 2003 KCSR revenues increased by 3%, to \$147.0 million, compared with \$142.7 million for the fourth quarter 2002. All major commodities showed increases in revenue and freight volume except for plastics and coal. Agriculture and minerals revenues increased by \$4.4 million, led principally by strong export grain movements. Paper and forest products revenues grew \$2.2 million, attributable to a 9% increase in pulp and paper revenues, and a 9% gain in lumber revenues. Intermodal and automotive revenues increased \$1.7 million in the fourth quarter 2003 compared with fourth quarter 2002. Coal revenues declined by \$3.7 million due to lower demand related to excess coal stockpiles and some minor unloading disruptions at plants served by KCSR. Chemical and petroleum products revenues were off \$1.3 million due to continued weakness in plastics. Overall, KCSR volume increased 8% quarter to quarter. Excluding coal movements, volume increased 13% over the prior year period.

KCS reported an operating loss of \$6.8 million in the fourth quarter of 2003 compared to operating income of \$13.9 million in the same 2002 period. This \$20.7 decline resulted from a \$27.0 million increase in casualties and insurance costs (partially attributed to favorable insurance settlements during the fourth quarter 2002 of \$5.6 million) and higher fuel expense at KCSR of \$1.4 million. These declines were partially offset by higher revenues and service quality and productivity improvements in the fourth quarter of 2003. In particular, a \$3.3 million decrease in car hire, and a \$2.1 million decrease in other costs helped offset increases in other operating expenses.

The Company's preliminary equity in earnings from Grupo TFM decreased \$13.1 million quarter-to-quarter. Grupo TFM fourth quarter revenues declined 2.5% to \$175 million. The decline was driven by the Mexican peso devaluation against the U.S. dollar, down approximately 10% and lower automotive

shipments, down 8.3%. Fourth quarter 2002 equity in earnings from Grupo TFM included a \$19.9 million deferred tax benefit (calculated under U.S. GAAP). In the fourth quarter of 2003, the deferred tax benefit reported in Grupo TFM's equity earnings was \$ 6.0 million, a reduction of \$13.9 million from the comparable 2002 period. The variance in the deferred tax calculation of Grupo TFM is mostly attributable to fluctuations in the peso exchange rate and tax benefits derived from the impact of inflation in Mexico. The Company reports its equity in Grupo TFM under U.S. GAAP, while Grupo TFM reports under International Financial Reporting Standards (IFRS).

COMMENTS FROM THE CHAIRMAN

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Michael R. Haverty, KCSR's Chairman, President and Chief Executive Officer stated "We are pleased with the continued revenue and operating performance improvements at KCSR which will carry into 2004 and result in bottom line improvements. KCSR's success has been somewhat masked by the necessity of taking a substantial charge in the fourth quarter related to claims reserves.

"KCSR is no different from some of the other North American Class I railroads that have recently adjusted claims reserves to protect themselves from the realities of the tort litigation environment in the U.S. in which we operate. The claims adjustment is not a reflection of KCSR's safety record. In nearly every measurement, KCSR has consistently been judged as one of the safest railroad operations in the industry. Nevertheless, in order to adequately protect our Company, we made the hard but correct decision to increase our claims reserves by \$13.5 million, after-tax, in the fourth quarter of 2003.

"With respect to the pending NAFTA Rail transaction, KCS remains committed to its efforts to complete the transaction. Currently, the dispute between KCS and Grupo TMM involving the validity of the acquisition contract is in binding arbitration governed by Delaware law under the auspices of the American Arbitration Association.

"Recently, there have been important developments concerning TFM's Value Added Tax (VAT) Refund Claim. On January 19, 2004, the Mexican Treasury, a branch of the Mexican Finance Ministry, delivered to TFM a VAT refund certificate in the amount of over \$2.1 billion pesos, the same amount as the refund originally claimed by TFM in 1997. The next day, another branch of the Mexican Finance Ministry, the Tax Administration Service (SAT) delivered to TFM its preliminary results of its audit of TFM's 1997 tax returns. SAT has preliminarily concluded that the documentation used by TFM to support the VAT receivable and depreciation shown on its 1997 tax return did not meet the requirements of applicable law. As a result of its preliminary findings, the SAT has administratively attached the VAT refund certificate delivered to TFM. TFM has 20 business days to supply the requested documentation to SAT, and it has other remedies available to it under Mexican law to protect its rights. We expect TFM to respond to the SAT's preliminary audit conclusions and to take all other legal actions necessary to protect the rights of its shareholders.

"We at KCS are looking ahead to 2004 with a high degree of confidence in our growth prospects. The year has begun well for the railroad industry in general and KCSR in particular. The North American economy is strengthening and our MCS computer platform, as advertised, is resulting in better management of every aspect of the railroad. MCS will soon be implemented on Tex-Mex Railway, a subsidiary of TFM. Our marketing and operations teams are simultaneously growing our business and improving our customer service -- a winning combination. We are fully committed to continuing to grow traffic routed via KCS to and from Mexico. Last year we saw a 25% increase in our KCS/TFM carloads and with a robust economy, we expect to see a continued positive trend throughout 2004."

KCS IS COMPRISED OF, AMONG OTHERS, THE KANSAS CITY SOUTHERN RAILWAY COMPANY ("KCSR") AND EQUITY INVESTMENTS IN GRUPO TFM, SOUTHERN CAPITAL CORPORATION ("SOUTHERN CAPITAL") AND PANAMA CANAL RAILWAY COMPANY ("PCRC").

THIS PRESS RELEASE INCLUDES STATEMENTS CONCERNING POTENTIAL FUTURE EVENTS

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INVOLVING THE COMPANY, WHICH COULD MATERIALLY DIFFER FROM THE EVENTS THAT ACTUALLY OCCUR. THE DIFFERENCES COULD BE CAUSED BY A NUMBER OF FACTORS INCLUDING THOSE FACTORS IDENTIFIED IN A CURRENT REPORT ON FORM 8-K DATED DECEMBER 11, 2001 FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") (COMMISSION FILE NO. 1-4717). THE COMPANY WILL NOT UPDATE ANY FORWARD-LOOKING STATEMENTS IN THIS PRESS RELEASE TO REFLECT FUTURE EVENTS OR DEVELOPMENTS.

KANSAS CITY SOUTHERN CONSOLIDATED STATEMENTS OF INCOME (DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA) (UNAUDITED)

	THREE MONTHS		YEAR ENDED	
	ENDED DECEMBER 31, 2003	2002	2003	2002
	-----	-----	-----	-----
REVENUES	\$148.5	\$144.2	\$581.3	\$566.2
COSTS AND EXPENSES				
Compensation and benefits	51.4	50.7	197.8	197.8
Depreciation and amortization	16.2	16.1	64.3	61.4
Purchased services	17.4	16.1	63.5	59.6
Casualties and insurance	30.2	3.2	56.4	25.2
Operating leases	13.8	13.9	57.2	55.0
Fuel	12.1	10.7	47.4	38.4
Car hire	1.5	4.8	10.0	19.7
Other	12.7	14.8	55.6	61.1
	-----	-----	-----	-----
TOTAL COSTS AND EXPENSES	155.3	130.3	552.2	518.2

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OPERATING INCOME (LOSS)	(6.8)	13.9	29.1	48.0
Equity in net earnings (losses) of unconsolidated affiliates				
Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (PRELIMINARY)	5.1	18.2	11.3	45.8
Other	(0.3)	(0.5)	(1.3)	(2.4)
Gain on sale of Mexrail, Inc.	(11.6)	(11.7)	(46.4)	(45.0)
Debt retirement costs	-	-	-	(4.3)
Other income	2.0	2.3	6.8	17.6
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(11.6)	22.2	(0.5)	64.1
Income tax provision (benefit)	(5.4)	1.8	(2.8)	6.9
	-----	-----	-----	-----
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(6.2)	20.4	2.3	57.2
Cumulative effect of accounting change, net of income taxes	-	-	8.9	-
	-----	-----	-----	-----
	(6.2)	20.4	11.2	57.2
PREFERRED STOCK DIVIDENDS	1.2	0.1	5.9	0.2
	-----	-----	-----	-----
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ (7.4)	\$ 20.3	\$ 5.3	\$ 57.0
	=====	=====	=====	=====
PER SHARE DATA				

Basic weighted average Common shares outstanding (IN THOUSANDS)	62,053	60,987	61,725	60,336
Basic earnings (loss) per Common share				
Income (loss) before cumulative effect of accounting change	\$ (0.12)	\$ 0.33	\$ 0.06	\$ 0.94
Cumulative effect of accounting change	-	-	0.14	-
	-----	-----	-----	-----
Net income (loss)	\$ (0.12)	0.33	0.08	0.94
Diluted weighted average Common shares outstanding (IN THOUSANDS)	62,053	62,642	61,725	62,318
Diluted earnings (loss) per Common share				
Income (loss) before cumulative effect of accounting change	\$ (0.12)	0.32	(0.06)	0.91
Cumulative effect of accounting change	-	-	0.14	-
	-----	-----	-----	-----
Net income (loss)	\$ (0.12)	0.32	0.08	0.91

EXHIBIT 99.1

KANSAS CITY SOUTHERN
OPERATING STATEMENTS
DOLLARS IN MILLIONS

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	FOURTH QUARTER 2003	FOURTH QUARTER 2002	YEAR TO DATE 2003	YEAR TO DATE 2002
Revenues				
Freight Revenue	\$ 100.0	\$ 93.3	\$ 379.2	\$ 360.1
Intermodal and Automotive Revenue	15.4	13.6	59.1	59.9
Unit Coal Revenue	22.4	25.8	90.9	98.7
Haulage Revenue	2.6	2.5	10.5	10.0
Other Revenue	8.1	9.0	41.6	37.5
Total Revenues	148.5	144.2	581.3	566.2
Operating Expenses				
Compensation and Benefits	51.4	50.7	197.8	197.8
Fuel	12.1	10.7	47.4	38.4
Material and Supplies	5.6	6.8	26.9	29.1
Car Hire	1.5	4.8	10.0	19.7
Purchased Services	17.4	16.1	63.5	59.6
Casualties & Insurance	30.2	3.2	56.4	25.2
Other	3.4	8.1	13.9	20.1
Net Operating Expenses	121.6	100.4	415.9	389.9
Fixed Expenses				
Leases, Net	13.8	13.9	57.2	55.0
Depreciation	16.2	16.1	64.3	61.4
Taxes (Other Than Income)	3.7	(0.1)	14.8	11.9
Total Fixed Expenses	33.7	29.9	136.3	128.3
Total Expenses	155.3	130.3	552.2	518.2
Operating Income	\$ (6.8)	\$ 13.9	\$ 29.1	\$ 48.0

Kansas City Southern Railway
 Carloadings By Commodity - Year Ended December 31, 2003
 Dollars in Thousands

Carloadings			Revenue
Year to Date		% Change	Year to Date
2003	2002		2003
188,227	205,543	(8.4)%	Coal
3,141	4,487	(30.0)%	Unit Coal
			Other Coal
191,368	210,030	(8.9)%	Total

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			Chemical & Petroleum Products	
5,931	5,846	1.5%	Agri Chemicals	3,911
15,052	14,587	3.2%	Gases	15,031
23,589	22,110	6.7%	Organic	23,800
21,845	20,601	6.0%	Inorganic	23,048
54,610	53,306	2.4%	Petroleum	37,169
18,955	28,977	(34.6)%	Plastics	20,883
-----	-----			-----
139,982	145,427	(3.7)%	Total	123,842
-----	-----			-----
			Agriculture and Minerals	
45,002	46,753	(3.7)%	Domestic Grain	36,742
21,279	13,933	52.7%	Export Grain	17,682
31,979	28,194	13.4%	Food Products	26,387
25,755	22,236	15.8%	Ores and Minerals	14,764
16,571	15,417	7.5%	Stone, Clay & Glass	12,916
-----	-----			-----
140,586	126,533	11.1%	Total	108,491
-----	-----			-----
			Paper & Forest Products	
94,824	88,162	7.6%	Pulp/Paper	75,784
7,224	6,402	12.8%	Scrap Paper	4,445
30,009	31,215	(3.9)%	Pulpwood/Logchips	13,816
30,241	27,448	10.2%	Lumber/Plywood	29,330
17,987	18,066	(0.4)%	Metal/Scrap	15,192
5,974	6,897	(13.4)%	Military/Other Carloads	7,570
-----	-----			-----
186,259	178,190	4.5%	Total	146,137
-----	-----			-----
			Intermodal & Automotive	
6,980	12,899	(45.9)%	Automotive	5,595
303,507	274,473	10.6%	Intermodal	53,474
-----	-----			-----
310,487	287,372	8.0%	Total	59,069
-----	-----			-----
968,682	947,552	2.2%	TOTAL FOR BUSINESS UNITS	530,213
39,342	39,929	(1.5)%	Haulage	10,518
(3,544)	(6,079)	41.7%	Adjustments	(1,025)
-----	-----			-----
1,004,480	981,402	2.4%	TOTAL	\$ 539,706
=====	=====			=====

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Dollars in Thousands

Fourth Quarter		Carloadings		Revenue
2003	2002	% Change		2003
49,110	53,340	(7.9)%	Coal	
766	1,334	(42.6)%	Unit Coal	\$ 22,368
			Other Coal	436
49,876	54,674	(8.8)%	Total	22,804
1,643	1,442	13.9%	Chemical & Petroleum Products	
3,936	3,916	0.5%	Agri Chemicals	1,053
7,029	5,271	33.4%	Gases	4,015
5,354	5,448	(1.7)%	Organic	6,268
13,334	13,054	2.1%	Inorganic	5,866
4,283	6,997	(38.8)%	Petroleum	9,172
			Plastics	4,918
35,579	36,128	(1.5)%	Total	31,292
12,130	12,112	0.1%	Agriculture and Minerals	
8,059	4,151	94.1%	Domestic Grain	9,984
7,036	7,432	(5.3)%	Export Grain	7,143
6,641	5,837	13.8%	Food Products	6,137
4,211	3,493	20.6%	Ores and Minerals	3,810
			Stone, Clay & Glass	3,328
38,077	33,025	15.3%	Total	30,402
23,985	22,554	6.3%	Paper & Forest Products	
2,040	1,805	13.0%	Pulp/Paper	19,541
7,258	6,791	6.9%	Scrap Paper	1,227
7,380	6,579	12.2%	Pulpwood/Logs/Chips	3,380
4,405	4,162	5.8%	Lumber/Plywood	7,148
1,249	1,472	(15.1)%	Metal/Scrap	3,536
			Military/Other carloads	1,411
46,317	43,363	6.8%	Total	36,243
1,755	1,722	1.9%	Intermodal & Automotive	
79,200	63,078	25.6%	Automotive	1,450
			Intermodal	13,885
80,955	64,800	24.9%	Total	15,335
250,804	231,990	8.1%	TOTAL FOR BUSINESS UNITS	136,076
9,573	9,715	(1.5)%	Haulage	2,574
(735)	(1,145)	35.8%	Adjustments	-
259,642	240,560	7.9%	TOTAL	\$ 138,650

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KANSAS CITY SOUTHERN
 CONSOLIDATED BALANCE SHEETS
 (DOLLARS IN MILLIONS)

PRELIMINARY

	DECEMBER 31, 2003 ----	DECEMBER 31, 2002 ----
	(UNAUDITED)	
ASSETS		
Cash	\$ 135.4	\$ 19.0
Accounts receivable	114.6	118.5
Inventories	36.8	34.2
Other current assets	21.3	44.5
	-----	-----
Total current assets	308.1	216.2
Investments	441.7	423.1
Properties, net of depreciation	1,362.5	1,337.4
Other assets	39.6	32.1
	-----	-----
Total assets	\$ 2,151.9	\$ 2,008.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	\$ 9.9	\$ 10.0
Accounts payable	36.7	47.7
Accrued liabilities	128.2	128.6
	-----	-----
Total current liabilities	174.8	186.3
Long-term debt	513.5	572.6
Deferred income taxes	391.5	392.8
Other	109.4	104.2
Stockholders' equity	962.7	752.9
	-----	-----
Total liabilities and stockholders' equity	\$ 2,151.9	\$ 2,008.8
	=====	=====